

**KUMD-FM  
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)  
DULUTH, MN**

**ANNUAL FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**KUMD-FM  
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)  
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## **INDEPENDENT AUDITORS' REPORT**

To the Director  
University of Minnesota Media Resources  
KUMD – FM  
Duluth, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of KUMD – FM, a department of the University of Minnesota (the "Station"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Deloitte & Touche LLP*

February 12, 2019

**KUMD-FM  
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**Introduction**

As management for KUMD-FM ("KUMD"), we offer readers of the Station's financial statements this narrative overview and analysis of the financial activities of the Station for the fiscal years ended June 30, 2018 and 2017. We encourage readers to consider the information presented here in conjunction with the Station's financial statements and the accompanying notes.

**Overview of the Financial Statements**

KUMD's financial statements are prepared in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB). The discussion and analysis below is intended to assist the reader in better understanding the purpose and meaning of each of the key components of the financial statements, which are comprised of the following:

**Statement of Net Position** - The Statement of Net Position provides information about the Station's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at a point in time, thereby, providing information about the financial health of the Station. Over time, increases or decreases in the Station's net position are one indicator of whether its financial health is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Position** - The purpose of this statement is intended to provide information about the activities (operating and nonoperating revenues and expenses) of the Station during the period being reported and its effect upon the net position of the Station.

**Statement of Cash Flows** - The statement of cash flows is intended to show the cash receipts and payments from the Station's activities over the period being reported.

**Notes to Financial Statements** - The notes to the financial statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the financial statements.

**Financial Highlights**

The total assets of the Station exceeded its liabilities as of June 30, 2018 by \$81,050, an increase of \$14,767 over 2017. Of this amount, \$50,996 may be used to meet the Station's obligations to creditors.

## Condensed Statements of Net Position

	2018	2017	Change
<b>Assets</b>			
Current Assets	\$170,785	\$167,242	\$3,543
Capital Assets, Net	30,054	8,550	21,504
<b>Total Assets</b>	<u>200,839</u>	<u>175,792</u>	<u>25,047</u>
Deferred Outflows of Resources	-	-	-
<b>Liabilities</b>			
Current Liabilities	100,011	91,733	8,278
Noncurrent Liabilities	19,778	17,776	2,002
<b>Total Liabilities</b>	<u>119,789</u>	<u>109,509</u>	<u>10,280</u>
Deferred Inflows of Resources	-	-	-
<b>Net Position</b>			
Unrestricted	(31,609)	(36,789)	5,180
Restricted - Expendable	82,605	94,522	(11,917)
Net Investment in Capital Assets	30,054	8,550	21,504
<b>Total Net Position</b>	<u><b>\$81,050</b></u>	<u><b>\$66,283</b></u>	<u><b>\$14,767</b></u>

### Assets

Current assets are used to support current operations and consist of cash and cash equivalents and accounts receivable. Noncurrent assets consist of capital assets, net of accumulated depreciation. Refer to Note 2 for additional information related to capital assets.

As of June 30, 2018, total assets increased \$25,047 from 2017 primarily due to an increase in capital assets.

### Liabilities

Current liabilities are obligations that are expected to become due and payable during the next fiscal year. They consist of accounts payable and accrued liabilities for salaries payable and compensated absences. Noncurrent liabilities consist of compensated absences that are estimated to become due and payable over a period of time greater than one year.

As of June 30, 2018 total liabilities increased \$10,280 from 2017 primarily due to accounts payable.

### Net Position

Unrestricted - Includes assets that are not subject to limitations or stipulations imposed by external entities and that have not been set aside for capital purposes.

Restricted - Expendable - Expendable assets are available for expenditure by the Station, but only in accordance with restrictions placed on their use by donors and other external entities.

Net Investment in Capital Assets - Includes the Station's property and equipment, net of accumulated depreciation.

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2018	2017	Change
Operating Revenues	\$612,162	\$615,116	(\$2,954)
Operating Expenses	867,970	984,596	(116,626)
Operating Loss	(255,808)	(369,480)	113,672
Nonoperating Revenues	223,409	359,746	(136,337)
Other Revenues	47,166	-	47,166
Increase (Decrease) in Net Position	14,767	(9,734)	(22,665)
Net Position at Beginning of Year	66,283	76,017	(9,734)
<b>Net Position at End of Year</b>	<b>\$81,050</b>	<b>\$66,283</b>	<b>(\$32,399)</b>

The statement presents the Station's operating and nonoperating financial activity (revenues and expenses) during the year, and it displays the net income (loss) from operations. Operating revenues are those that are generated by the Station's principal ongoing operations, such as student service fees, listener support, and sponsored grants.

Nonoperating revenues include appropriations allocated from the University of Minnesota and donated goods and services.

The Station's net position increased in 2018 compared to a net decrease in net position in 2017. Total operating and nonoperating revenues decreased \$139,291 primarily due to a decrease in University General Appropriations and Donated Goods and Services. Total operating expenses decreased as well by \$116,626. This was primarily due to decreases in management and general expenses related to salaries and in-kind goods, services, and facility support.

### Contacting the Station's Financial Management

This financial report is designated to provide KUMD's customers, investors and creditors with a general overview of the Station's finances. Questions regarding this report or additional financial information should be addressed to: KUMD-FM, 1201 Ordean Ct., Humanities Building, Room 130, Duluth, MN 55812.

## **BASIC FINANCIAL STATEMENTS**

**KUMD-FM**  
**(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2018**

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 122,959
Accounts Receivable	47,826
Total Current Assets	<u>170,785</u>

**Noncurrent Assets**

Capital Assets	185,223
Accumulated Depreciation	(155,169)
Capital Assets, Net	<u>30,054</u>

Total Assets	<u><u>200,839</u></u>
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<b>Deferred Outflows of Resources</b>	<u>-</u>
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**Liabilities**

**Current Liabilities**

Accounts Payable	14,933
Accrued Liabilities	85,078
Total Current Liabilities	<u>100,011</u>

**NonCurrent Liabilities**

Accrued Liabilities	19,778
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Total Liabilities	<u><u>119,789</u></u>
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<b>Deferred Inflows of Resources</b>	<u>-</u>
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**Net Position**

Unrestricted	(31,609)
Restricted - Expendable	82,605
Net Investment in Capital Assets	30,054
Total Net Position	<u><u>\$ 81,050</u></u>

The accompanying notes are an integral part of these financial statements.

**KUMD-FM**  
**(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2018**

**Operating Revenues**

Corporation for Public Broadcasting Grants	\$ 146,488
State of Minnesota Grants	133,161
Underwriting	123,831
Listener Support	113,969
Student Service Fees	87,342
Other Revenue	7,371
Total Operating Revenue	<u>612,162</u>

**Operating Expenses**

Programming and Production	481,810
Broadcasting	79,008
Management and General	207,574
Fundraising	91,369
Depreciation	8,209
Total Operating Expenses	<u>867,970</u>

Operating Loss	<u>(255,808)</u>
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**Nonoperating Revenues**

University General Appropriation	78,261
Donated Facilities and Admin University Support	99,103
Donated Goods and Services - NFFS	17,418
Donated Goods and Services - Non NFFS	27,127
Other University Support	1,500
Total Nonoperating Revenues	<u>223,409</u>

Loss Before Other Revenues	(32,399)
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**Other Revenues**

Capital Grants & Gifts	47,166
Total Other Revenues	<u>47,166</u>

Increase in Net Position	14,767
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Net Position at Beginning of Year	66,283
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Net Position at End of Year	<u>\$ 81,050</u>
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The accompanying notes are an integral part of these financial statements.

**KUMD-FM  
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018**

<b>Cash Flows From Operating Activities</b>	
Corporation for Public Broadcasting Grants	\$ 146,488
State of Minnesota Grants	134,841
Underwriting	123,831
Listener Support	113,969
Student Service Fees	87,342
Other Revenue	7,363
Payments to Employees for Wages / Benefits	(574,296)
Payments to Suppliers for Goods and Services	(131,537)
Net Cash Flows Used by Operating Activities	<u>(91,999)</u>
 <b>Cash Flows From Noncapital Financing Activities</b>	
University General Appropriation	78,261
Other University Support	1,500
Net Cash Flows Provided by Noncapital Financing Activities	<u>79,761</u>
 <b>Cash Flows From Capital and Related Financing Activities</b>	
Capital Grants & Gifts	47,166
Purchases of Capital Assets	(29,713)
Net Cash Flows Provided by Capital and Related Financing Activities	<u>17,453</u>
 <b>Net Increase in Cash and Cash Equivalents</b>	 5,215
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>117,744</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 122,959</u>

(continued)

The accompanying notes are an integral part of these financial statements.

**KUMD-FM  
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018**

**Reconciliation of Net Operating Income (Loss) to  
Net Cash Used By Operating Activities**

Operating Loss	\$	(255,808)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation Expense		8,209
Donated Facilities and Admin University Support		99,103
Donated Goods and Services - NFFS		17,418
Donated Goods and Services - Non NFFS		27,127
Changes in Assets and Liabilities		
Accounts Receivable		1,672
Accounts Payable		7,640
Accrued Liabilities		2,640
Net Cash Flows Used by Operating Activities	\$	(91,999)
		(concluded)

The accompanying notes are an integral part of these financial statements.

**KUMD-FM  
(DEPARTMENT OF THE UNIVERSITY OF MINNESOTA)  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**FINANCIAL REPORTING ENTITY**

KUMD-FM radio station (the Station), in addition to other departments, is operated by the University Relations and Development Department of the University of MN Duluth (UMD). KUMD-FM is located on the campus of UMD.

These financial statements present the financial position, results of operations, and cash flows of KUMD-FM radio station only, and do not extend to the University of Minnesota as a whole or any other University organization or department. Economic support from the University of Minnesota to the Station is committed on a year-to-year basis.

**TAX STATUS**

The Internal Revenue Service has ruled that the University of Minnesota is an integral part of the State of Minnesota. Due to the Station being part of the University, the Station is generally exempt from federal income taxes, although, certain activities are subject to federal unrelated business income tax.

**FINANCIAL STATEMENT PRESENTATION**

The financial statements have been prepared in accordance with accounting principles prescribed by the Governmental Accounting Standards Board.

**BASIS OF ACCOUNTING**

The University is considered to be a special purpose government engaged primarily in business type activities (BTA). As a BTA, the Station prepares its financial statements using the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues and expenses are recognized when earned or incurred, respectively.

**CASH AND CASH EQUIVALENTS**

Receipts and disbursements of the Station are recorded through other centralized departments of the University of Minnesota resulting in cash balances available to the Station. The Station's balance is considered liquid and classified as cash and cash equivalents for the purposes of the Statement of Net Position and Statement of Cash Flows.

**CAPITAL ASSETS**

Buildings, equipment, furniture and fixtures are recorded at cost, except those received as gifts or bequests, which are recorded at market value at the date of gift. Asset purchases are capitalized if \$5,000 or greater. Depreciation is determined using the straight-line method, based on the estimated useful life of the assets.

The estimated useful lives of the assets are as follows:

<u>Asset Category</u>	<u>Useful Life (in years)</u>
Transmission, tower, and antenna	10-15
Equipment	5

### **ACCRUED LIABILITIES**

Accrued liabilities is comprised of compensated absences and payroll accrual. Compensated absences for unused vacation time are accrued by multiplying an employee's hourly rate times the available vacation hours as of the financial statement date. Payroll accrual accounts for the remaining days in June 2018 that are not paid until July 2018, the next fiscal year.

### **IN-KIND CONTRIBUTIONS**

Donated goods and services are recorded as nonoperating revenues at estimated fair market value. Donated goods totaling \$44,545 (Non NFFS-\$27,127; NFFS-\$17,418) are included in non-operating revenues, and in programming and production expenditures in the Statement of Revenues, Expenses, and Changes in Net Position.

Donated facilities from UMD consist of office and studio space, together with related occupancy costs and are recorded as nonoperating revenues and expenditures at estimated fair rental values. Administrative support from UMD consists of allocated financial and student development department costs and certain other expenses incurred by the University on behalf of the Station. Donated facilities and administrative support totaled \$99,103 during 2018.

### **NET POSITION**

The net position of the Station is reported in the following three components:

**Unrestricted** - Net positions that have no external restrictions imposed.

**Restricted - Expendable** - Net positions that are restricted for specific purposes by grantors, donors or law. Restrictions on these assets are released when KUMD complies with the stipulations required by the grantor, donor, or legislative act.

**Net Investment in Capital Assets** - Net investment in capital assets represents capital assets net of accumulated depreciation.

### **REVENUE AND EXPENSE CLASSIFICATIONS**

The University has classified revenue and expenses as operating or nonoperating based on the following criteria:

**Operating Revenues** – Revenues that result from exchange activities that contribute to the mission of KUMD. Exchange activities are transactions where the amount received approximates the fair value of the goods or services given up. The Station considers student service fees, underwriting, the Corporation for Public Broadcasting and other grants and other revenue to be exchange transactions.

**Nonoperating Revenues** – Revenues that represent nonexchange activities. The primary source of these revenues is appropriations from the University of Minnesota, and other contributions from the University of Minnesota.

**Operating Expenses** – Expenses that are paid to acquire or produce goods and services in return for operating revenues.

**Nonoperating Expenses** – Expenses incurred in the performance of activities that are not directly related to generating University operating revenues.

## USE OF ESTIMATES

To prepare the financial statements in conformity with accounting principles generally accepted in the United State of America, management must make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - CAPITAL ASSETS

Capital assets, net as of and for the year ended June 30, 2018, consisted of the following:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Tranmission, tower, and antenna	\$ 61,825			\$ 61,825
Equipment	93,685	\$ 29,713		123,398
Total	155,510	29,713	-	185,223
Accumulated depreciation	(146,960)	(8,209)		(155,169)
Capital assets, net	\$ 8,550	\$ 21,504	\$ -	\$ 30,054

## NOTE 3 – ACCRUED LIABILITIES

Accrued liabilities as of and for the year ended June 30, 2018, consisted of the following:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Payroll accrual	\$ 38,153	\$ 32,017	\$ (38,153)	\$ 32,017	\$ 32,017
Compensated absences	63,983	54,932	(46,208)	72,707	52,929
Other	80	132	(80)	132	132
Total accrued liabilities	\$ 102,216	\$ 87,081	\$ (84,441)	\$ 104,856	\$ 85,078

## **NOTE 4 - RETIREMENT PLANS**

### **Retirement Plans**

The Faculty Retirement Plan (FRP) is a mandatory retirement savings/investment plan contingent on meeting certain prescribed eligibility requirements. Pursuant to the University's Board of Regents governing authority, in compliance with Section 401(a) of the Internal Revenue Code, it authorizes the University to contribute to the plan and governs the requirements of this plan. Station employees meeting certain eligibility requirements contribute to the FRP, which is a single-employer defined contribution plan sponsored by the University. Eligible academic employees with hire dates prior to January 2, 2012 contribute 2.5% of covered salary and the University through the central fringe pool contributes 13.0%. Eligible academic employees, with a start date (or who were rehired) on or after January 2, 2012, contribute 5.5% of covered salary and the University through the central fringe pool contributes 10.0%. The FRP covers professional and administrative (P&A) staff for the entire University, of which 2 worked directly for the Station.

Station employees meeting certain eligibility requirements also contribute to the State Employees Retirement Fund (SERF) that is administered by the Minnesota State Retirement System (MSRS). SERF is a cost-sharing multiple-employer defined benefit plan that covers multiple employers within the state of Minnesota. Participation is mandatory and begins from the first day of employment. The plan provides retirement, survivor, and disability benefits. Benefit provisions and contribution rates are established by state statute and can only be modified by state legislature in accordance with Minnesota Chapter 352. Benefits are based on member 's age, years of allowable service, and the highest average salary for any sixty successive months of allowable service at termination of service. The required contribution rate for employees and the Station was 5.5 percent of covered salaries for the year ended June 30, 2018. The Station's contribution to the SERF through the University's Employee Benefits Department for the year ending June 30, 2018 was \$18,265. Six Station employees contributed to this plan during fiscal year ended June 30, 2018.

Effective fiscal year ended June 30, 2015, the University was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, and GASB 71, Pension Transition/or Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68, and apply the requirements to FRP and SERF. Due to the Station satisfying its obligation to the University's central fringe pool—a function managed and coordinated through the University Department of Employee Benefits—all payments and outstanding liability associated with SERF are the central fringe pool's responsibility. As a result of the central fringe pool, no additional GASB 68 and 71 reporting is required for the Station.

A publicly available financial report, which includes financial statements, required supplementary information, and detailed information about the plan's fiduciary net position can be obtained at <https://www.msrs.state.mn.us/financial-information> or by writing to the Minnesota State Retirement System (MSRS), 60 Empire Drive, Suite 300, St. Paul, MN 55103.

**NOTE 5 - EMPLOYEE BENEFITS**

The station is charged fringe benefits based on rates that are approved by the Department of Health and Human Services. The rates are calculated based on the University's salary base, actual costs and recoveries, and payments received in a prior year. The approved rates are charged to departments based on the salaries paid to employees by employee class / fringe group.

**NOTE 6 - OPERATING EXPENSES BY NATURAL CLASSIFICATION**

Operating expenses by natural classification for the year ended June 30, 2018 are as follows:

Salaries	\$	455,641
Fringe		121,243
In-kind facility support		99,103
In-kind goods and services		44,545
Supplies and services		139,229
Depreciation		8,209
Total operating expenses	\$	<u>867,970</u>